2nd Quarter 2019 Portfolio Manager Commentary

UCITS

Thornburg Limited Term Income Fund

During the second quarter of 2019, the Thornburg Limited Term Income Fund returned 1.64% (Class I shares), underperforming the 2.59% gain in the Bloomberg Barclays Intermediate Government/Credit Index. The Fund lagged the benchmark in the first half, returning 3.53% versus 4.97%.

We remain skeptical about the U.S. Federal Reserve's actions and motives. It seems policy decisions are no longer driven by economic fundamentals, but instead by market movements. In many instances, asset prices are widely disconnected from their fundamentals. What has gone from a tacit inference that the Fed will prop up swooning financial markets—the Greenspan, Bernanke and Yellen "puts"—has become more explicit under current Fed Chairman Jerome Powell, as he speaks increasingly openly about financial conditions and stability as part of the Fed's decision-making process. A financial asset's price should reflect more of its individual fundamentals and less of the tidal effect of Fed policy.

It now appears highly likely that market sentiment hinges on a 25-basis-point cut in the Fed's key policy rate this month, not on the overall condition of the U.S. economy, which is in decent shape despite bearish headlines on trade and global growth. It is hard to imagine a quarter-point reduction in the Federal funds rate either helps or hurts the broader U.S. economy. It is, however, easier to imagine a century-old institution undercutting its credibility by seemingly allowing itself to be bullied by markets.

To be sure, some U.S. economic data have been weakening in the U.S. and abroad. The global PMI is down a record 14 months in a row and has recently moved into contractionary territory. The U.S. itself is also sitting on the precipice of some leading indicators. The most recent ISM New Orders Index came in at 50.0, the exact number that defines the difference between contraction and expansion. Yet strong U.S. labor force growth and a supportive capex cycle are driving productivity gains. And while wage growth has leveled off lately, consumer sentiment and balance sheets remain relatively healthy.

It's important to note that slowing global growth has prompted many central banks, not just the Federal Reserve, to move toward monetary accommodation. A number of central banks have already cut their key rates or provided guidance suggesting an easing bias. Some countries are pushing macro-prudential measures or fiscal stimulus. The European Central Bank recently extended forward

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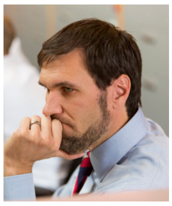

Jeff Klingelhofer, CFA
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Supported by the entire Thornburg investment team.

★★★★★

Morningstar Overall Rating™ among 223 USD Diversified Bond - Short Funds, based on risk-adjusted returns, uses a weighted average of the fund's three-, five-, and 10-year ratings respectively, 4 stars, 5 stars, 5 stars among 223, 176, 116 funds, as at 30/06/19.

CITYWIRE SILVER

Citywire Group Rating: Bond – US Dollar

Average Annual Total Returns

As at 30 June 2019 (in US$ terms. Not annualized for periods less than one year.)

UCITS FUND*	1-MO	YTD	1-YR	SINCE INCEPTION
Class A ACC Shares (Incep: 03/05/17)	0.58%	3.17%	4.31%	1.88%
Class I ACC Shares (Incep: 03/05/17)	0.67%	3.53%	5.07%	2.56%
Bloomberg Barclays Intermediate U.S. Government/Credit Index	1.07%	4.97%	6.93%	3.06%

U.S. MUTUAL FUND**	1-MO	YTD	1-YR	3-YR	5-YR	10-YR
Class A Shares (Incep: 01/10/92)	0.66%	3.80%	5.15%	2.24%	2.17%	3.97%
Class I Shares (Incep: 05/07/96)	0.69%	3.98%	5.49%	2.59%	2.53%	4.33%
Bloomberg Barclays Intermediate U.S. Government/Credit Index	1.07%	4.97%	6.93%	1.99%	2.39%	3.24%

Annual Return Performance Summary

U.S. MUTUAL FUND†	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Class A Shares	16.55%	6.26%	5.08%	7.50%	-0.17%	3.47%	0.47%	3.12%	2.27%	0.99%
Class I Shares	16.83%	6.63%	5.45%	7.87%	0.26%	3.76%	0.82%	3.49%	2.73%	1.22%

*Source: Confluence

**All share classes are accumulating and denominated in USD. See prospectus for additional share class listing.

Since the Fund has a limited performance history, data for [insert US Fund Name], a U.S. mutual fund, is shown. Although the Fund is managed by the same investment team and utilizes a similar investment process as the U.S. mutual fund, the performance and portfolio composition of the Fund may differ due to UCITS regulations.

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than quoted. For performance current to the most recent month end, visit http://www.thornburgglobal.com.

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guidance, as did the Bank of Japan, suggesting their respective policy rates will remain exceedingly low for quite some time. Others, such as the Reserve Bank of Australia, lowered rates due to concerns of slowing growth.

While the economic backdrop is important for fixed income investors, it's also vitally important to look at both corporate and consumer health as leading indicators for the economy. Corporate fundamentals slipped a bit in the first quarter of 2019 as growth in revenue and earnings before interest, taxes, depreciation and amortization were roughly flat, with the trend continuing in the second quarter. One important area of concern in the corporate market is leverage and interest coverage. While we are at or near all-time highs in terms of leverage, it is in a very different market than we experienced a decade ago. What we find disconcerting is not the sheer amount of leverage in the system but how stretched the fundamentals become when one factors in a slowing growth environment. This will surely cause problems for those who have thrown caution to the wind and indiscriminately bought credit at current levels.

Along with the decline in corporate fundamentals, consumer fundamentals have deteriorated, albeit much more modestly. The consumer is seeing increasing debt-to-income ratios as credit card rates are at a decade high. As expected, there has also been an uptick in delinquencies and losses. Despite these metrics, we continue to believe that the consumer is on solid footing, bolstered by the tight labor market.

The strength of the consumer has led us to opportunities in the Consumer Loan ABS sector. Often issued by online credit providers, with proceeds used by credit-worthy borrowers for credit card refinancing or home improvement loans, the structures offer several attractive features. The credit profile of the bonds improves dramatically every six months through an amortization process. The bonds offer an attractive spread to other shorter-duration bonds that quickly deleverage. Lastly, the shorter history for online lending allows for pricing inefficiencies, providing us the opportunity to purchase issues that create a wide margin for error.

And margin for error is all the more important given the backdrop of interest rates. For much of the second quarter, rates have been in a free fall as the two-year U.S. Treasury has dropped from 2.41% in mid-April to 1.75% by the end of June. While the decrease in rates has generated a boon in fixed income prices, the lower yields have created a less appealing environment for the marginal dollar being invested. More importantly, total return has been driven by price appreciation despite all that has been said about the decline in fundamentals. Factoring in credit spreads, which have fallen precipitously throughout much of the year, and the margin of safety is narrow by all measures.

In light of tight spreads, weakening corporate and consumer fundamentals and a slowing global economic environment, we remain defensively positioned. We continue to reduce corporate risk and move into short, senior tranches of ABS and RMBS where spreads have widened, offering a larger margin of safety. Investors will notice a broad mix of government securities, corporate credit and a healthy amount of dry powder to take advantage of the inevitable volatility down the road.

Thank you for investing in Thornburg Limited Term Income Fund. ■

IMPORTANT INFORMATION

Source of data: Factset, BBH, State Street, Confluence, Bloomberg—unless otherwise stated

Date of data: 30 June 2019—unless otherwise stated

Performance data provided to Morningstar for the period prior to the inception of the UCITS is hypothetical and was calculated from actual returns of the U.S. mutual fund adjusted for the expenses of the UCITS. Although the UCITS is managed by the same investment team and utilizes a similar investment process as the U.S. mutual fund, the performance and portfolio composition of the UCITS may have differed due to UCITS regulations.

Investments carry risks, including possible loss of principal. Portfolios investing in bonds have the same interest rate, inflation, and credit risks that are associated with the underlying bonds. The value of bonds will fluctuate relative to changes in interest rates, decreasing when interest rates rise. Unlike bonds, bond funds have ongoing fees and expenses. Investments in mortgage-backed securities (MBS) may bear additional risk. Investments in the Fund are not insured, nor are they bank deposits or guaranteed by a bank or any other entity.

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